AdvanceMe Inc v. RapidPay LLC
Doc. 234 Att. 3

EXHIBIT B

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IN THE UNITED STATES DISTRICT COURT FOR
THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION

ADVANCEME, INC., Plaintiff, v. RAPIDPAY LLC, BUSINESS CAPITAL CORPORATION, FIRST FUNDS LLC, MERCHANT MONEY TREE, INC., REACH FINANCIAL, LLC and FAST TRANSACT, INC. d/b/a SIMPLE CASH Defendants.	CASE NO. 6:05-CV-424 LED

DEFENDANTS' THIRD AMENDED P.R. 3-3 INVALIDITY CONTENTIONS

Pursuant to Patent Rules ("P.R.") 3-3 and 3-6(a) of the Rules of Practice for Patent Cases before the Eastern District of Texas, Defendants First Funds LLC, Merchant Money Tree, Inc., and Reach Financial LLC ("Defendants") submit the following amended invalidity contentions.

These contentions pertain to Claims 1-19 of U.S. Patent No. 6,941,281 (the '281 Patent). Defendants submit, however, that AdvanceMe, Inc. ("AdvanceMe") has not fully complied with its obligation to submit specific Infringement Contentions relating to those elements that Plaintiff believes are not literally present in the Accused Instrumentalities, and are alleged to be present under the doctrine of equivalents. AdvanceMe's Amended Infringement Contentions at 3; *see* P.R. 3-1. Nor has AdvanceMe submitted specific Infringement Contentions with respect to separate theories of direct infringement, contributory infringement, or inducement of infringement. Further, Defendants submit that AdvanceMe has not fully complied with its obligation to submit specific Infringement Contentions relating to Claims 8 and 17, in that AdvanceMe's Contentions do not identify any ability of the Accused Instrumentalities to "accumulate payments until a predetermined amount is reached." AdvanceMe's Amended Infringement Contentions at 14, 17; *see* P.R. 3-1.

Defendants have based these Amended Invalidity Contentions on the Court's claim construction. Because AdvanceMe has not yet provided Defendants with reasonably specific Infringement Contentions, and discovery and fact investigations are ongoing, Defendants reserve the right to supplement these Amended Invalidity Contentions.

1. PRIOR ART

Attached as Exhibits 1-6 are claim charts respectively indicating how prior art items 1-6 anticipate every limitation of at least certain of Claims 1-19 of the '281 Patent based on this Court's claim construction. To the extent any limitation is deemed not to be exactly met by an item of prior art, Defendants submit that any differences would have been obvious to one skilled in the art at the time of the alleged invention in view of the state of the art and knowledge of those skilled in the art. Prior art items 1-6 individually and collectively anticipate or render obvious all claims of the '281 Patent.

Publication Title		Item publicly used or known
1.	Clever Ideas—LeCard documents[1] (1992-1996)	Clever Ideas—LeCard, Inc. ("Clever Ideas") offered a cash or advertising advance that was repaid by a merchant utilizing a system and method of automated payment. Clever Ideas advanced a sum of money or an amount of advertising to restaurants in exchange for the restaurant providing food and beverage credit for Diners Club/LeCard cardholders. The restaurant's contractual obligation to repay the credit amount would be automatically repaid as customers paid for food and beverages with a Diners Club/LeCard card. Diners Club acquired, authorized and settled Diners Club/LeCard cards, then forwarded a portion of the payment to Clever Ideas as payment of the restaurant's outstanding obligation. Clever Ideas received and applied that portion to the restaurant's cash advance or advertising obligation. The alleged invention was thus known or used by others in this country before the alleged invention thereof by Barbara Johnson. The claimed methods and systems were additionally publicly used, and described in a printed publication, more than one year prior to the date of the application for a patent in the United States. *See* 35 U.S.C. § 102(a), (b), (f), and (g). A chart identifying where specifically in this item of prior art each element of each asserted claim is found is attached hereto as Exhibit 1.[2]

[1] These documents include Clever Ideas-LeCARD Cash and/or Advertising Advance Agreements; Restaurant Statements; Letters from Clever Ideas to Participating Restaurants; and other related correspondence.

[2] This prior art reference anticipates Claims 1, 5-7, 9-10, 14-16, and 18-19. It renders obvious Claims 2-4, 8, 11-13, and 17. *See* Exhibit 1.

2.	SEC Form 10-K for Transmedia Network, Inc. (December 29, 1995)	Transmedia Network Inc. ("Transmedia") offered a product known as the Transmedia card which allowed merchants to use a system and method of automated payment wherein Transmedia advanced a sum of money to a restaurant or other merchant, via a purchase at a discount of "Rights-to-Receive" (*i.e.*, the right to receive goods and services). After the merchant accepted the Transmedia card as payment and electronically forwarded information related to the payment to Transmedia, Transmedia acquired, authorized and settled the transaction. Transmedia then electronically forwarded a portion of the payment to a computerized payment receiver as payment of at least a portion of the restaurant's cash advance obligation to Transmedia. The computerized payment receiver received and applied that amount to reduce the merchant's outstanding cash advance obligation to Transmedia. The alleged invention was thus known or used by others in this country before the alleged invention thereof by Barbara Johnson. The claimed methods and systems were additionally publicly used, and described in a printed publication, more than one year prior to the date of the application for a patent in the United States. *See* 35 U.S.C. § 102(a), (b), (f), and (g). A chart identifying where specifically in this item of prior art each element of each asserted claim is found is attached hereto as Exhibit 2.[3]
3.	First USA Merchant Services, Inc. Merchant Credit Card Agreement (July 1, 1993)	First USA Merchant Services, Inc. ("First USA") provided credit card processing services to merchants that incorporated a system and method of automated payment as claimed in the '281 patent. A merchant in the First USA system and method accepted cards as payment and electronically forwarded information related to the payment to First USA. First USA, the merchant processor, would then acquire, authorize and settle the transaction. First USA electronically forwarded some portion of the payment to computerized payment receivers and/or third parties as payment of at least a portion of an obligation made by the merchant. The alleged invention was thus known or used by others in this country before the alleged invention thereof by Barbara Johnson. The claimed methods and systems were additionally publicly used, and described in a printed publication, more than one year prior to the date of the application for a patent in the United States. *See* 35 U.S.C. § 102(a), (b), (f), and (g). A chart identifying where specifically in this item of prior art each element of each asserted claim is found is attached hereto as Exhibit 3.[4]

[3] Transmedia anticipates Claims 1, 5-7, 9-10, 14-16, and 18-19. Transmedia renders obvious Claims 2-4, 8, 11-13, and 17. *See* Exhibit 2.

[4] First USA anticipates Claims 1-7, 9-16, and 18-19. First USA renders obvious Claims 8 and 17. *See* Exhibit 3.

4.	Bank of America Merchant Services Card Processing Service Agreement Terms and Conditions (November 1994 (Reprinted August 1995))	Bank of America NT&SA provided card processing services to merchants which incorporated a system and method of automated payment as claimed in the '281 patent. A merchant accepted cards as payment and electronically forwarded information related to the payment to Bank of America. Bank of America, the merchant processor, acquired, authorized, and settled the transaction. Bank of America would electronically forward some portion of the payment to a computerized payment receiver and/or a third party as payment of at least a portion of an obligation made by the merchant. The alleged invention was thus known or used by others in this country before the alleged invention thereof by Barbara Johnson. The claimed methods and systems were additionally publicly used, and described in a printed publication, more than one year prior to the date of the application for a patent in the United States. *See* 35 U.S.C. § 102(a), (b), (f), and (g). A chart identifying where specifically in this item of prior art each element of each asserted claim is found is attached hereto as Exhibit 4.[5]
5.	Credit Card Processing Agreement; Reserve Account Agreement (among Reno Air, Inc., Electronic Data Systems Corporation and First USA Merchant Services, Inc.) (June 1995)	Electronic Data Systems Corporation ("EDS") and First USA Merchant Services, Inc. ("First USA") provided card processing services to merchants that incorporated a system and method of automated payment as claimed in the '281 patent. A merchant accepted cards as payment and electronically forwarded information related to the payment to EDS. EDS, one of the merchant processing entities, acquired, authorized, and settled the transactions and forwarded a portion of the payment to a computerized payment receiver and/or third party as payment of at least a portion of the merchant's obligation. The alleged invention was thus known or used by others in this country before the alleged invention thereof by Barbara Johnson. The claimed methods and systems were additionally publicly used, and described in a printed publication, more than one year prior to the date of the application for a patent in the United States. *See* 35 U.S.C. § 102(a), (b), (f), and (g). A chart identifying where specifically in this item of prior art each element of each asserted claim is found is attached hereto as Exhibit 5.[6]

[5] Bank of America anticipates Claims 1-7, 9-16, and 18-19. Bank of America renders obvious Claims 8 and 17. *See* Exhibit 4.

[6] EDS/First USA anticipates Claims 1-7, 9-16, and 18-19. EDS/First USA renders obvious Claims 8 and 17. *See* Exhibit 5.

6.	Litle & Co. documents[7] (1990-1992)	First National Bank of Louisville ("FNBL"), National Processing Company ("NPC"), and Litle & Co. ("Litle") (collectively the "Litle Processing Entity") played a role in a system and method of automated payment used by merchants wherein an entity would, among other things, advance a sum of money or provide a line of credit to a merchant or on behalf of a merchant. A merchant would accept cards as payment and electronically forward information related to the payment to the Litle Processing Entity. The Litle Processing Entity, the merchant processor, would acquire, authorize and settle the transaction and would electronically forward some portion of the payment to a computerized payment receiver and/or third party as payment of at least a portion of the merchant's obligation. The alleged invention was thus known or used by others in this country before the alleged invention thereof by Barbara Johnson. The claimed methods and systems were additionally publicly used, and described in a printed publication, more than one year prior to the date of the application for a patent in the United States. *See* 35 U.S.C. § 102(a), (b), (f), and (g). A chart identifying where specifically in this item of prior art each element of each asserted claim is found is attached hereto as Exhibit 6.[8]

Defendants' investigation of these products and services is ongoing, and Defendants reserve the right to supplement these contentions to include additional details regarding these products and services as discovery in this case continues.

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[7] These documents include, *inter alia*, the Litle & Co. Member Agreement; Demand Promissory Note for Postage Advances (between Museum Publications of America and Litle & Co.); "People Thought I was Nuts" Forbes Article (6/8/92); Promissory Note Repayment Schedule; and related correspondence.

[8] Litle & Co. anticipates Claims 1-19. *See* Exhibit 6.

2. INVENTORSHIP – 35 U.S.C. § 102(f)

The ‘281 patent is invalid because the alleged inventor did not herself invent the subject matter sought to be patented. As evidenced during the deposition of the alleged inventor, Barbara Johnson, she lacks knowledge or familiarity with card processing and many, if not all, features of the ‘281 patent.

Name of person from whom the invention or any part was derived	Circumstances
Gary Johnson	Gary Johnson is the husband of the inventor. On information and belief, he was knowledgeable of the card processing industry at the time of the alleged inventor’s invention. Barbara Johnson testified that she did not directly correspond with the prosecuting attorneys, but instead indirectly corresponded with the prosecuting attorneys through Gary Johnson. On knowledge and belief, the invention or some part of the invention was derived from Gary Johnson.
Les Falk, Glen Goldman, Tom Burnside and/or other employees of Media Works Funding Corporation, Countrywide Business Alliance, Inc. and/or AdvanceMe, Inc.	On information and belief, Les Falk is the former CEO of the assignee of the ‘281 patent. Glen Goldman is the current CEO of AdvanceMe, and Tom Burnside is the current President and Chief Operating Officer of AdvanceMe. On information and belief, the invention or some part of the invention was derived from Les Falk, Glen Goldman, Tom Burnside, and/or other employees of the assignee (which underwent multiple name changes).
Paula Campbell, Robert Tosti, John Forcier and/or other attorneys of the law firm Testa, Hurwitz & Thiebeault LLP involved in the prosecution of U.S. Patent No. 6,941,281 and/or U.S. Patent No. 6,826,544.	Attorneys from Testa, Hurwitz & Thiebeault LLP were involved in the prosecution of U.S. Patent No. 6,941,281 and/or U.S. Patent No. 6,826,544. On information and belief, the invention or some part of the invention was derived from Paula Campbell, Robert Tosti, John Forcier and/or other attorneys of the law firm Testa, Hurwitz & Thiebeault LLP.
David Klein and/or other attorneys of the law firm Shearman & Sterling LLP involved in the prosecution of the U.S. Patent No. 6,941,281 and/or U.S. Patent No. 6,826,544.	Attorneys from Shearman & Sterling LLP were involved in the prosecution of U.S. Patent No. 6,941,281 and/or U.S. Patent No. 6,826,544. On information and belief, the invention or some part of the invention was derived from David Klein and/or other attorneys of the law firm Shearman & Sterling LLP.

Name of person from whom the invention or any part was derived	Circumstances
Tim Litle, Randall Bourne, Larry Bouchard, and/or Lee Suckow.	Each of these individuals was instrumental in the development and operation of the Clever Ideas and Litle & Co. prior art systems and methods described above, which were known and used years before the alleged invention by Barbara Johnson.

Defendants' investigation of these individuals and the circumstances surrounding their contribution(s) to the alleged invention is ongoing, and Defendants reserve the right to supplement these contentions to include additional details regarding these individuals and circumstances as discovery in this case continues.

3. P.R. 3-4 DOCUMENT PRODUCTION

Defendants have produced relevant, non-privileged documents required under P.R. 3-4. Defendants' search for documents is ongoing, and Defendants reserve the right to supplement their document production as additional, relevant, non-privileged documents in their possession, custody or control are identified.

Dated: February 12, 2007

Respectfully submitted,

By: /s/ Joseph D. Gray

Willem G. Schuurman
Texas State Bar No. 17855200
Brian K. Buss
Texas State Bar No. 00798089
Joseph D. Gray
Texas State Bar No. 24045970
R. Floyd Walker
Texas State Bar No. 24044751
VINSON & ELKINS L.L.P.
2801 Via Fortuna, Suite 100
Austin, Texas 78746
Phone: (512) 542-8400 –
Fax: (512) 236-3476

- and -

Hilary L. Preston
VINSON & ELKINS L.L.P.
666 Fifth Avenue – 26th Floor
New York, New York 10103
Phone: (212) 237-0000
Fax: (212) 237-0100

- and -

Douglas McSwane
Texas State Bar No. 13861300
POTTER MINTON, P.C.
110 North College
500 Plaza Tower
Tyler, Texas 75702
Phone: (903) 597-8311
Fax: (903) 593-0846

ATTORNEYS FOR DEFENDANTS FIRST FUNDS, LLC, MERCHANT MONEY TREE, INC., AND REACH FINANCIAL, LLC

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing instrument has been served upon all counsel of record on this the 12th day of February, 2007 as indicated:

Via Electronic Mail and U.S. Mail
Ronald S. Lemieux
PAUL, HASTINGS, JANOFSKY & WALKER LLP
Five Palo Alto Square, Sixth Floor
Palo Alto, CA 94306-2155

Otis Carroll
IRELAND, CARROLL & KELLEY, P.C.
6101 S. Broadway, Suite 500
Tyler, Texas 75703

By:_/s/ Joseph D. Gray__________________